

Message Text

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12

ACTION EB-11

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L-03 NSCE-00 CIAE-00 INR-10 NSAE-00 DODE-00 MC-02

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FM USLO PEKING

TO SECSTATE WASHDC PRIORITY 1281

INFO AMCONSUL HONG KONG

C O N F I D E N T I A L SECTION ONE OF TWO PEKING 137

DEPARTMENT PASS WHITE HOUSE

E.O. 11652: GDS

TAGS: EIND, ETRD, CH

SUBJECT: US FERROUS SCRAP EXPORTS TO PRC

REF: A) PEKING 109; B) STATE 12655

SUMMARY. CHINA NATIONAL MINERALS AND METALS IMPORT AND EXPORT CORPORATION RAISED PROBLEM OF US SCRAP EXPORT CONTROLS WITH USLO IN TERMS OF SEEKING OUR ASSISTANCE TO OBTAIN DELIVERIES FROM US FIRMS WITH WHICH IT HAS CONTRACTS. USLO RECOMMENDS THAT PRC BE PROVIDED WITH FULL AND FRANK EXPLANATION OF US SCRAP EXPORT CONTROLS, BUT POINTS OUT THAT THE CHINESE ARE STILL LIKELY TO REGARD THEIR PRESENT SMALL QUOTA AS DISCRIMINATORY. END SUMMARY.

1. USLO COMMERCIAL/ECONOMIC OFFICER HOROWITZ CALLED ON WANG YEN (3769/7256), DIRECTOR OF FERROUS METALS IMPORT AND EXPORT CORPORATION (MINMETALS) ON JANUARY 21 AT WANG'S REQUEST.

2. WANG SAID THAT MINMETALS BEGAN DEALING WITH US COMPANIES FOR PURCHASES OF STEEL SCRAP LAST YEAR. IN ADDITION TO SCRAP DELIVERED IN 1973, THEY ALSO SIGNED CONTRACTS WHICH
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CALL FOR DELIVERY OF MORE THAN 400,000 TONS IN THE FIRST

HALF OF 1974, OF WHICH "MORE THAN 200,000 OR NEARLY 300,000 TONS" ARE SCHEDULED FOR FIRST-QUARTER DELIVERY. THE OUTSTANDING CONTRACTS, WHICH ARE WITH SCHIAVONE-CHASE, LURIA BROTHERS, ANDRE AND CO., HUGO NUE CO., AND GENERAL METALS, ARE ALL F.O.B. AND, IN ACCORD WITH THEIR STIPULATIONS, MINMETALS MADE ARRANGEMENT FOR VESSELS TO PICK UP THE SCRAP AT US PORTS. MINMETALS INFORMED THE AMERICAN COMPANIES OF THE SHIPPING SCHEDULE, BUT WAS "SURPRISED" TO BE INFORMED BY ALL OF THEM THAT IT WOULD BE DIFFICULT OR NOT POSSIBLE TO PROVIDE THE SCRAP CONTRACTED FOR DURING THE FIRST QUARTER. ACCORDING TO INTERNATIONAL TRADE PRACTICES, HE CONTINUED, A COMPANY IS EXPECTED TO SERIOUSLY EXECUTE ITS CONTRACTUAL OBLIGATIONS. WANG NOTED THAT USLO DISCUSSED A STEEL SCRAP PROBLEM WITH HIM BEFORE ON BEHALF OF AN AMERICAN COMPANY (PEKING 981), AND SAID THAT MINMETALS NOW WISHES TO REQUEST USLO'S ASSISTANCE IN URGING THESE AMERICAN COMPANIES TO DELIVER SCRAP IN ACCORD WITH THE CONTRACTS THEY SIGNED.

3. HOROWITZ REFERRED IN GENERAL TERMS TO THE SHARP INCREASE IN DOMESTIC AND FOREIGN DEMAND WHICH MADE IT NECESSARY FOR THE US GOVERNMENT TO IMPOSE CONTROLS ON EXPORTS OF STEEL SCRAP. IN INSTITUTING SUCH CONTROLS, HE SAID, EVERY EFFORT HAS BEEN MADE TO GIVE FAIR CONSIDERATION TO OUR DOMESTIC REQUIREMENTS, AND TO THE INTERESTS OF AMERICAN EXPORTERS AND FOREIGN BUYERS OF US SCRAP. IN ORDER TO EQUITABLY ADMINISTER SUCH A PROGRAM OF CONTROLS, IT IS MOST USEFUL FOR THE USG TO HAVE INFORMATION RELATING TO THE REQUIREMENTS OF VARIOUS IMPORTING COUNTRIES FOR STEEL SCRAP; FOR EXAMPLE, THEIR NEEDS NOT ONLY FOR THE FIRST QUARTER OF THE YEAR BUT ALSO FOR THE YEAR AS A WHOLE. IT WOULD BE HELPFUL, HE SAID, IF MINMETALS COULD MAKE SUCH INFORMATION AVAILABLE TO US, ALTHOUGH IT SHOULD NOT BE ASSUMED THAT THE PROVISION OF SUCH INFORMATION WOULD NECESSARILY RESULT IN A US COMMITMENT REGARDING SUPPLIES. HOROWITZ SAID THAT WANG'S SPECIFIC REQUEST FOR ASSISTANCE WOULD BE REFERRED TO WASHINGTON AND THAT HE WOULD BE IN TOUCH WITH WANG AGAIN AS SOON AS WE HAVE SOME INFORMATION.

4. REFERRING TO THE ABOVE REQUEST FOR STATISTICS, WANG REPEATED THE INFORMATION ABOUT OUTSTANDING CONTRACTS FOR CONFIDENTIAL

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1974 DELIVERY CITED IN PARA 2 ABOVE, SUGGESTING THAT MINMETALS IS NOT LIKELY TO PROVIDE US WITH ADDITIONAL DATA. ASKED WHETHER ANY PORTION OF THESE OUTSTANDING ORDERS WERE LICENSED BY THE USG IN THE LATTER PART OF 1973, WANG SAID HE DID NOT KNOW. HE AGAIN STRESSED THE IMPORTANCE OF ABIDING BY CONTRACT STIPULATIONS. WANG ADDED THAT WHEN THESE CONTRACTS WERE SIGNED, MINMETALS WAS AWARE THAT THERE MAY BE SOME DIFFICULTIES, BUT BELIEVED THAT THE US COMPANIES WERE

THEREFORE OBLIGED TO APPROACH THE US "DEPARTMENTS CONCERNED"
IN ORDER TO SETTLE SUCH DIFFICULTIES.
HE REPEATED THE REQUEST FOR USLO ASSISTANCE TO HELP OBTAIN
DELIVERY OF THE SCRAP FROM THE AMERICAN COMPANIES.

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